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CARL J. KUNA
CHAIRMAN
JIM IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER

BRIAN C. McNEIL
EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION

DATE: November 1, 1999

DOCKET NO.: RS-00000A-99-0381

TO ALL PARTIES:

Enclosed please find the recommendation of Hearing Officer Marc E. Stern. The recommendation has been filed in the form of an Opinion and Order on:

REPEAL AND REMAKING OF A.A.C. R14-6-204
(RULEMAKING)

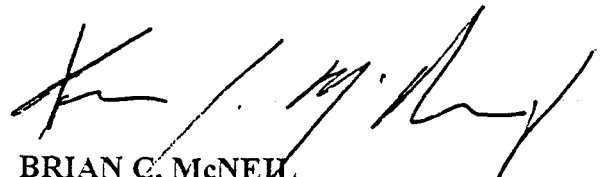
Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Hearing Officer by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

NOVEMBER 10, 1999

The enclosed is NOT an order of the Commission, but a recommendation of the Hearing Officer to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

NOVEMBER 16, 1999 AND NOVEMBER 17, 1999

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250.


BRIAN C. McNEIL
EXECUTIVE SECRETARY

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 CARL J. KUNASEK

CHAIRMAN

3 JIM IRVIN

COMMISSIONER

4 WILLIAM A. MUNDELL

COMMISSIONER

5
6 IN THE MATTER OF PROPOSED RULEMAKING
FOR CONSIDERATION OF THE REPEAL AND
7 REMAKING OF A.A.C. R14-6-204.

DOCKET NO. RS-00000A-99-0381

DECISION NO. _____

8 **OPINION AND ORDER**

9 DATE OF HEARING: October 4, 1999

10 PLACE OF HEARING: Phoenix, Arizona

11 PRESIDING OFFICER: Marc E. Stern

12 APPEARANCES: Ms. Sharleen Day, Associate General Counsel, on behalf
13 of the Securities Division of the Arizona Corporation
Commission.

14 **BY THE COMMISSION:**

15 On July 26, 1999, the Securities Division ("Division") of the Arizona Corporation
16 Commission ("Commission") forwarded a proposal recommending that the Commission repeal
17 existing A.A.C. R14-6-204 and replace it with proposed Rule A.A.C. R14-6-204 ("Rule 204") which
18 specifies the examination requirements for individuals seeking licensure as Investment Advisers or
Investments Adviser Representatives under the Arizona Investment Management Act ("TMA").

19 On August 5, 1999, the Commission issued Decision No. 61877 which directed that the
20 Hearing Division schedule a hearing on the Division's proposal to repeal and remake Rule 204.

21 Pursuant to Decision No. 61877, the Hearing Division scheduled a public hearing on the
22 above-captioned matter.

23 On July 30, 1999, and August 27, 1999, the Notice of Rulemaking Docket Opening and
24 Notice of Proposed Rulemaking, respectively, were published by the Arizona Secretary of State's
25 Office in the Arizona Administrative Register ("Register").

26 On October 4, 1999, a public comment hearing was held before a duly authorized Hearing
27 Officer of the Commission at its offices in Phoenix, Arizona. There were no interested parties in
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attendance at the proceeding and the Division received only three written comments, all supporting the adoption of the proposed Rule. Following the conclusion of the proceeding, the matter was taken under advisement pending submission of a recommended Opinion and Order to the Commission.

* * * * *

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. On July 26, 1999, the Division forwarded to the Commission a proposal to repeal and remake Rule 204 which addresses the examination requirements for individuals seeking licensure as Investment Advisers and Investment Adviser Representatives pursuant to the IMA. The Division is proposing that Rule 204 be remade because the North American Securities Administrator's Association ("NASAA") has proposed two uniform competency examinations to replace the current Series 65 and 66 examinations referenced in the present Rule. NASAA's new uniform competency examinations replacing the current examinations will be implemented December 31, 1999.

2. On August 5, 1999, the Commission issued Decision No. 61877 which directed that a hearing be scheduled regarding the Rule for the purpose of taking public comments.

3. By Procedural Order issued August 10, 1999, a public comment hearing was scheduled for October 4, 1999.

4. Pursuant to law, Notice of Rulemaking Docket Opening and Notice of Proposed Rulemaking were given on July 30, 1999 and August 27, 1999, respectively, in the Register.

5. Proposed Rule 204 is in response to the adoption of new Series 65 and 66 examinations by the NASAA membership and are based on a NASAA model rule. After December 31, 1999, the current Series 65 and 66 examinations will no longer be offered to applicants seeking licensure.

6. Proposed Rule 204 includes the following provisions:

- the incorporation of the new NASAA Uniform examinations;
- the inclusion of a grandfather clause for those individuals that have taken the previous examinations and have met the requirements of the current Rule;

- the requirement that individuals who have been out of the industry for a period of two years be retested; and
- that individuals who hold and maintain a professional designation from one of several specified professional associations are given a waiver from all examination requirements.

7. The hearing was held as scheduled on October 4, 1999, and no members of the public appeared to comment on proposed Rule 204. The Commission has received three written comments in support of the proposed Rule 204.

8. The proposed Rule 204 is set forth in Appendix A, attached hereto and incorporated herein by reference.

9. Pursuant to A.R.S. § 41-1055(D)(3), no Economic, Small Business, and Consumer Impact Statement is required.

10. The Concise Explanatory Statement is set forth in Appendix B, attached hereto and incorporated by reference.

CONCLUSIONS OF LAW

1. Pursuant to A.R.S. § 44-3131 and Article XV Section 6 of the Arizona Constitution, the Commission has jurisdiction to repeal and remake A.A.C. R14-6-204.

2. Notice of the hearing was given in the manner prescribed by law.

3. The proposed Rule is in the public interest.

4. The Concise Explanatory Statement as set forth in Appendix B should be adopted.

ORDER

IT IS THEREFORE ORDERED that A.A.C. R14-6-204, as set forth in Appendix A and the Concise Explanatory Statement, as set forth in Appendix B, are hereby adopted.

IT IS FURTHER ORDERED that the Commission's Securities Division shall submit the adopted Rule A.A.C. R14-6-204, to the Attorney General's Office for certification.

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1 IT IS FURTHER ORDERED that the Commission's Securities Division is authorized to
 2 make changes to the adopted Rule, A.A.C. R14-6-204, and to the adopted Concise Explanatory
 3 Statement in response to comments received by the Attorney General's Office during the approval
 4 process under A.R.S. § 44-1044 unless, after notification of those changes, the Commission requires
 5 otherwise.

6 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

7 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
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10 CHAIRMAN

COMMISSIONER

COMMISSIONER

11
 12 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
 13 Secretary of the Arizona Corporation Commission, have
 14 hereunto set my hand and caused the official seal of the
 Commission to be affixed at the Capitol, in the City of Phoenix,
 this ____ day of ____, 1999.

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 16 _____
 17 BRIAN C. McNEIL
 EXECUTIVE SECRETARY

18 DISSENT _____
 19 MES:bbs
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1 SERVICE LIST FOR:

REPEAL AND REMAKING OF A.A.C. R14-6-204

2 DOCKET NO.

RS-00000A-99-0381

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APPENDIX A

**TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND
ASSOCIATIONS; SECURITIES REGULATION**

CHAPTER 6. INVESTMENT MANAGEMENT

**ARTICLE 2. DUTIES OF INVESTMENT ADVISERS AND INVESTMENT ADVISER
REPRESENTATIVES**

Section

R14-6-204. Required Written Examination

A. Except as otherwise provided in subsections (B) and (C), all natural persons applying for licensure as an investment adviser or an investment adviser representative under A.R.S.

Title 44, Chapter 13, Article 4 shall have taken and passed:

1. The Uniform Investment Adviser Law Examination (Series 65 examination); or
2. The Uniform Combined State Law Examination (Series 66 examination) and either the General Securities Registered Representative Examination (Series 7 examination) or the General Securities Representative (nonmember) Examination (Series 2 examination).

B. An applicant who has taken the Uniform Investment Adviser State Law Examination (Series 65 examination) or the Combined State Law Examination (Series 66 examination) prior to December 31, 1999, shall have taken and received a score of at least 70% on:

1. The NASAA Uniform Investment Adviser Law Examination (Series 65 examination) or Combined State Law Examination (Series 66 examination); and

2. The NASD General Securities Registered Representative Examination (Series 7 examination) or the General Securities Representative (nonmember) Examination (Series 2 examination).
- C. An applicant shall not be required to comply with subsections (A) or (B) if the applicant currently holds any 1 of the following professional designations and is currently in good standing with the associated organization:
1. Certified Financial Planner (CFP) designation awarded by the Certified Financial Planner Board of Standards, Inc.;
 2. Chartered Financial Analyst (CFA) designation awarded by the Institute of Chartered Financial Analysts;
 3. Chartered Financial Consultant (ChFC) designation awarded by the American College, Bryn Mawr, Pennsylvania;
 4. Chartered Investment Counselor (CIC) designation awarded by the Investment Counsel Association of America, Inc.; or
 5. Personal Financial Specialist (PFS) designation awarded by the American Institute of Certified Public Accountants.
- D. An applicant must have satisfied the examination requirements of this Section within 12 months prior to application if the applicant has not been registered or licensed as an investment adviser or investment adviser representative in at least 1 state during the 2-year period preceding application.

APPENDIX B

CONCISE EXPLANATORY STATEMENT

This explanatory statement is provided to comply with the provisions of A.R.S. § 41-1036.

I. CHANGES IN THE TEXT OF THE PROPOSED RULE FROM THAT CONTAINED IN THE NOTICE OF PROPOSED RULEMAKING FILED WITH THE SECRETARY OF STATE

No changes have been recommended or made to the proposed Rule A.A.C. R14-6-204 ("Rule").

II. EVALUATION OF THE ARGUMENTS FOR AND AGAINST THE PROPOSED RULE

R14-6-204. REQUIRED WRITTEN EXAMINATION

A.A.C. R14-6-204: The proposed Rule specifies the examination requirements for individuals seeking licensure as Investment Advisers or Investment Adviser Representatives under the Arizona Investment Management Act. The North American Securities Administrator's Association ("NASAA") has adopted new uniform examinations to replace the current Series 65 and 66 examinations which are utilized for licensure. The new uniform examinations will be implemented December 31, 1999, and will replace those examinations referenced in the current version of Rule 204. The proposed changes to Rule 204 will result in the adoption of the new uniform examinations promogated by NASAA and are based on a NASAA model Rule.

The new uniform Series 65 and 66 examinations incorporate additional subjects to those contained in the current Series 65 and 66 examinations. The proposed Rule 204 requires a different combination of testing requirements to reflect the amended content of the new examinations. The proposed Rule 204 contains the inclusion of a grandfather clause for those individuals who have taken previous examinations and have met the requirements of the current Rule 204. The proposed Rule 204 requires individuals that have been out of the industry for a period of two years to be re-tested under the requirements of the proposed Rule. Additionally, individuals who hold and maintain a professional designation from one of several specified professional associations as designated within the proposed Rule 204 are given a waiver from all examination as long as they are currently in

1 good standing with the associated organization.

2 The adoption of the proposed Rule 204 is in the best interest of the state, the public and the
3 industry as it provides uniformity in examination requirements with other states and it provides
4 licensure requirements that are designed to establish minimum competency for the provision of these
5 types of financial services.

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